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QUARTERLY REPORT

LICENSEE: ATLANTIC CITY SHOWBOAT, INC

FOR THE QUARTER ENDED MARCH 31, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

BALANCE SHEETS

AS OF MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	ASSETS		
	Current Assets:		
1	Cash and Cash Equivalents.....	32,679	\$ 28,039
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, \$1,450 ; 2004, \$3,183)	4,407	3,679
4	Inventories.....NOTE 2	1,560	1,442
5	Prepaid Expenses, Other Current Assets and Deferred Tax Asset..... NOTE 4	3,575	1,860
6	Total Current Assets.....	42,221	35,020
7	Investments, Advances, and Receivables.....NOTES 5 & 12	1,467,693	1,390,644
8	Property and Equipment - Gross.....	681,049	657,536
9	Less: Accumulated Depreciation and Amortization.....	(294,609)	(295,539)
10	Property and Equipment - Net.....NOTE 6	386,440	361,997
11	Other Assets.....	1,236	1,466
12	Total Assets.....	\$ 1,897,590	\$ 1,789,127
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts Payable.....	5,260	3,700
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	237	214
17	Income Taxes Payable and Accrued.....	336	146
18	Other Accrued Expenses.....NOTE 7	87,875	20,293
19	Other Current Liabilities.....	400	107
20	Total Current Liabilities.....	94,108	24,460
	Long-Term Debt:		
21	Due to Affiliates..... NOTE 8	715,000	715,000
22	Other.....	85	321
23	Deferred Credits.....	21,144	16,301
24	Other Liabilities.....NOTE 9	999,280	977,918
25	Commitments and Contingencies..... NOTE 12		
26	Total Liabilities.....	1,829,617	1,734,000
27	Stockholders', Partners', or Proprietor's Equity.....	67,973	55,127
28	Total Liabilities and Equity.....	\$ 1,897,590	\$ 1,789,127

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	Revenue:		
1	Casino.....	\$ 88,065	\$ 89,765
2	Rooms.....	8,782	7,627
3	Food and Beverage.....	9,724	10,965
4	Other.....	790	839
5	Total Revenue.....	107,361	109,196
6	Less: Promotional Allowances.....	24,978	28,401
7	Net Revenue.....	82,383	80,795
	Costs and Expenses:		
8	Cost of Goods and Services.....	44,747	47,357
9	Selling, General, and Administrative.....	7,267	5,434
10	Provision for Doubtful Accounts.....	112	44
11	Total Costs and Expenses.....	52,126	52,835
12	Gross Operating Profit.....	30,257	27,960
13	Depreciation and Amortization.....	8,688	7,712
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other..... NOTE 3	4,562	4,284
16	Income (Loss) from Operations.....	17,007	15,964
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....NOTE 8	(14,441)	(14,446)
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(488)	(592)
20	Nonoperating Income (Expense) - Net.....NOTE 11	(687)	(97)
21	Total Other Income (Expenses).....	(15,616)	(15,135)
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	1,391	829
23	Provision (Credit) for Income Taxes.....	877	913
24	Income (Loss) Before Extraordinary Items.....	514	(84)
	Extraordinary Items (Net of Income Taxes -		
25	(2005, \$ 0 ; 2004, \$ 0).....	-	-
26	Net Income (Loss).....	\$ 514	\$ (84)

The accompanying notes are an integral part of the financial statements.
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TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND THE THREE MONTHS ENDED MARCH 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Stockholders' Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2003.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (15,281)	\$ 55,211
2	Net Income (Loss) - 2004.....							12,248	12,248
3	Contribution to Paid-in-Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2004.....	1,500	70,492	-	-	-	-	(3,033)	67,459
11	Net Income (Loss) - 2005.....							514	514
12	Contribution to Paid-in -Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, March 31, 2005.....	1,500	\$ 70,492	-	\$ -	\$ -	\$ -	\$ (2,519)	\$ 67,973

The accompanying notes are an integral part of the financial statements.
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TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT, INC.

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 12,030	\$ 2,205
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....		
3	Proceeds from the Sale of Short-Term Investment Securities.....		
4	Cash Outflows for Property and Equipment.....	(20,618)	(8,067)
5	Proceeds from Disposition of Property and Equipment.....	3	13
6	Purchase of Casino Reinvestment Obligations.....	(1,122)	(1,149)
7	Purchase of Other Investments and Loans/Advances made.....		
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....		
9	Cash Outflows to Acquire Business Entities.....		
10			
11			
12	Net Cash Provided (Used) By Investing Activities.....	(21,737)	(9,203)
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....		
14	Payments to Settle Short-Term Debt.....	6	5
15	Cash Proceeds from Issuance of Long-Term Debt.....		
16	Costs of Issuing Debt.....		
17	Payments to Settle Long-Term Debt.....	(61)	(55)
18	Cash Proceeds from Issuing Stock or Capital Contributions.....		
19	Purchases of Treasury Stock.....		
20	Payments of Dividends or Capital Withdrawals.....	-	-
21			
22			
23	Net Cash Provided (Used) By Financing Activities.....	(55)	(50)
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(9,762)	(7,048)
25	Cash and Cash Equivalents at Beginning of Period.....	42,441	35,087
26	Cash and Cash Equivalents at End of Period.....	\$ 32,679	\$ 28,039

	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ -	\$ 14,347
28	Income Taxes.....	\$ 89	\$ 88

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	NET CASH FLOWS FROM OPERATING ACTIVITIES:		
29	Net Income (Loss).....	\$ 514	\$ (84)
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	8,688	7,712
31	Amortization of Other Assets.....	85	85
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	(25)	
34	Deferred Income Taxes - Noncurrent.....	(968)	(23)
35	(Gain) Loss on Disposition of Property and Equipment.....	151	296
36	(Gain) Loss on Casino Reinvestment Obligations.....	488	592
37	(Gain) Loss from Other Investment Activities.....		
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	(311)	345
39	Net (Increase) Decrease in Inventories.....	(119)	-
40	Net (Increase) Decrease in Other Current Assets.....	1,407	1,659
41	Net (Increase) Decrease in Other Assets.....	67	(96)
42	Net Increase (Decrease) in Accounts Payable.....	(2,630)	80
	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	14,083	(701)
	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	13,068	36,208
44			
45	Net (Increase) Decrease in Invest., Advances, and Receivables.....	(22,468)	(43,868)
46			
47	Net Cash Provided (Used) By Operating Activities.....	\$ 12,030	\$ 2,205

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	ACQUISITION OF PROPERTY AND EQUIPMENT:		
48	Additions to Property and Equipment.....	\$ 20,618	\$ 8,067
49	Less: Capital Lease Obligations Incurred.....		-
50	Cash Outflows for Property and Equipment.....	\$ 20,618	\$ 8,067
	ACQUISITION OF BUSINESS ENTITIES:		
51	Property and Equipment Acquired.....	\$	\$
52	Goodwill Acquired.....		
	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....		
53	Long-Term Debt Assumed.....		
54	Issuance of Stock or Capital Invested.....		
55	Cash Outflows to Acquire Business Entities.....	\$	\$
	STOCK ISSUED OR CAPITAL CONTRIBUTIONS:		
57	Total Issuances of Stock or Capital Contributions.....	\$	\$
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$	\$

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the Notes.

TRADING NAME OF LICENSEE: ATLANTIC CITY SHOWBOAT

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE THREE MONTHS ENDED MARCH 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	92,267	7,594		
2	Food	287,984	3,851		
3	Beverage	2,107,786	2,167		
4	Travel	-		710	124
5	Bus Program Cash	172,195	3,275		
6	Other Cash Complimentaries	306,446	8,039	-	
7	Entertainment				
8	Retail & Non-Cash Gifts	-			
9	Parking	-			
10	Other	5,911	52	1,770	133 *
11	Total	2,972,589	\$ 24,978	2,480	\$ 257

FOR THE THREE MONTHS ENDED MARCH 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	92,267	\$ 7,594		\$ -
2	Food	287,984	3,851		
3	Beverage	2,107,786	2,167		
4	Travel			710	124
5	Bus Program Cash	172,195	3,275		-
6	Other Cash Complimentaries	306,446	8,039	-	-
7	Entertainment	-			
8	Retail & Non-Cash Gifts				
9	Parking	-	-		
10	Other	5,911	52	1,770	133 *
11	Total	2,972,589	24,978	2,480	\$ 257

*Included in the other Promotional Expenses is the cost of Cigarette and Cigar complimentaries in the amount of \$92,000.

*No other individual complimentary service or item within the "Other" category exceeds 5% of that column's total.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(1) ORGANIZATION AND BASIS OF PRESENTATION

Atlantic City Showboat, Inc. (the "Company"), is a wholly-owned subsidiary of Ocean Showboat, Inc. (OSI), which is a wholly-owned subsidiary of Showboat, Inc. ("SBO"). SBO is a wholly owned subsidiary of Harrah's Operating Company, Inc. ("HOC"), which is a direct wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). OSI was incorporated in 1983 and is a holding company with its principal assets being investments in the Company. The Company conducts casino gaming operations and operates full supportive services of hotel, restaurant, bar and convention facilities at the Showboat Hotel and Casino in Atlantic City, New Jersey ("Atlantic City Showboat"). On June 1, 1998, Harrah's, a Delaware corporation, purchased SBO and its subsidiaries.

The Company is licensed to operate the facility by the New Jersey Control Commission (the "CCC") and is subject to rules and regulations established by the CCC. The Company's license is subject to renewal every four years with the current license expiring April 2008.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Allowance for Doubtful Accounts

The Company reserves an estimated amount for receivables that may not be collected. The methodology for estimating the allowance includes using specific reserves and applying various percentages to aged receivables. Historical collection rates are considered, as are customer relationships, in determining specific allowances. As with many estimates, management must make judgments about potential actions by third parties in establishing and evaluating the allowance for bad debts.

Inventories

Inventories, which consist primarily of food, beverage and operating supplies, are stated at the lower of average cost or market value.

Land, Buildings and Equipment

Land, buildings, and equipment additions are stated at cost, including capitalized interest on intercompany funds used to finance construction calculated at Harrah's overall weighted-average borrowing rate of interest.

Improvements and repairs that extend the life of the asset are capitalized. Building improvements are depreciated over the remaining life of the building. Maintenance and repairs are expensed as incurred.

Depreciation is provided using the straight-line method over the shorter of the estimated useful life of the asset or the related lease term, as follows:

Land improvements	12 years
Buildings and improvements	30 to 40 years
Furniture, fixtures and equipment	3 to 12 years

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Land, Building & Equipment (Cont.)

The Company reviews the carrying value of land, buildings and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effect of obsolescence, demand, competition and other economic factors.

Deferred Financing Cost

Costs associated with the issuance of debt have been deferred and are being amortized to interest expense over the life of the related indebtedness using the effective interest method.

Financial Instruments

The carrying amount of cash equivalents, receivables and all current liabilities approximates fair value due to their short-term nature. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties. After giving effect to their allowances, the Casino Reinvestment Development Authority (CRDA) bonds and deposits approximately indicate their fair value based upon their below market interest rates. The carrying amount of long-term debt is estimated to approximate its fair value as the stated rates approximate current rates.

Revenue Recognition

Casino revenues consist of net gaming wins. Food and beverage and rooms revenues include the aggregate amounts generated by those departments.

Total Rewards Program Liability

Harrah's customer reward program, Total Rewards, offers incentives to customers who gamble at Harrah's casinos throughout the United States. Under the program, customers are able to accumulate, or bank, Reward Credits over time that they may redeem at their discretion under the terms of the program. The Reward Credit balance will be forfeited if the customer does not earn a Reward Credit over the prior six-month period. The estimated incremental cost of the goods or services to be provided when the Reward Credits are redeemed, after consideration of estimated breakage, is expensed as the Reward Credits are earned. To arrive at the estimated cost associated with Reward Credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which Reward Credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals. At March 31, 2005 and 2004, approximately \$2,264 and \$2,256, respectively, was accrued for the cost of anticipated Total Rewards credit redemptions.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Promotional Allowances

Gross revenues include the retail value of complimentary food, beverage, theater and hotel services furnished to patrons. The retail value of these promotional allowances is deducted to arrive at net revenues. Recent accounting pronouncements on promotional allowances have been expanded to include cash rebates. The estimated cost of providing complimentary services and cash rebates to customers for the three months ended March 31, 2005 and 2004, respectively, were as follows:

	<u>2005</u>	<u>2004</u>
Food and Beverage	\$5,075	\$5,940
Rooms	2,760	3,000
Other	5	125
Bus Program Cash	3,275	2,900
Other Cash Complimentaries	<u>8,039</u>	<u>11,474</u>
	<u>\$19,154</u>	<u>\$23,439</u>

Income Taxes

The Company is included in the consolidated federal tax return of Harrah's and files a separate New Jersey tax return. The provision for federal income taxes is computed based on the statutory federal rate as if the Company had filed a separate income tax return. The provision for state taxes is based on the statutory New Jersey tax.

Deferred income taxes reflect the net tax effects of temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Omission of Disclosures

In accordance with the Financial Reporting guidelines provided by the Casino Control Commission (the "CCC"), the Company has elected not to include certain disclosures, which have not significantly changed since filing the most recent Quarterly Report. Accordingly, the following disclosures have been omitted: Future Lease Obligations, Employee Benefits and certain Income Tax disclosures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation.

(3) RELATED PARTY TRANSACTIONS

The Company participates with HOC and its other subsidiaries in marketing, purchasing, insurance, employee benefit and other programs that are defined and negotiated by HOC on a consolidated basis. The Company believes that participating in these consolidated programs is beneficial in comparison to the terms for similar programs that it could negotiate on a stand-alone basis.

Certain of the more significant intercompany relationships between the Company and HOC are discussed in this footnote.

Cash Activity with HOC and Affiliates

The Company transfers cash in excess of its operating needs to HOC on a daily basis. Cash transfers from HOC to the Company are also made based upon the needs to the Company to fund daily operations, including accounts payable and payroll, as well as capital expenditures. In addition, the Company transfers cash to HOC to reimburse HOC for payroll costs of certain HOC employees who provide services to the Company. No interest is earned on the amount shown as due from affiliates, net, in the accompanying financial statements.

Administrative and Other Services

The Company is charged a fee by HOC for administrative and other services (including consulting, legal, marketing, information technology, accounting and insurance). The Company was charged approximately \$1,890 and \$1,680 respectively for these services for the three months ended March 31, 2005 and 2004. These fees are included in Charges from Affiliates Other than Interest in the statement of income.

Rental Agreement

The Company leases 10½ acres of Boardwalk property in Atlantic City, New Jersey for a term ending in 2082 from an affiliate. Annual rent payments, which are payable monthly are adjusted annually based upon changes in the Consumer Price Index. The Company is responsible for taxes, assessments, insurance and utilities. Rent expense under this lease for the twelve months ended March 31, 2005 and 2004 was \$2,350 and \$2,604 respectively.

(4) PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of March 31, 2005 and 2004, Prepaid Expenses and Other Current Assets consisted of the following:

	<u>2005</u>	<u>2004</u>
Prepaid Slot License	\$ 497	\$501
Prepaid Insurance	23	22
Deposits	155	279
Prepaid Advertising	773	41
Current Deferred Tax Asset	1,744	0
Other	<u>383</u>	<u>1,017</u>
	<u>\$3,575</u>	<u>\$1,860</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(5) INVESTMENTS, ADVANCES AND RECEIVABLES

As of March 31, 2005 and 2004, Investments, Advances and Receivables consisted of the following:

	<u>2005</u>	<u>2004</u>
CRDA Deposits (Note 13)	\$ 21,726	\$ 19,656
CRDA Bonds (Note 13)	<u>16,778</u>	<u>15,994</u>
	<u>38,504</u>	<u>35,650</u>
Less: Valuation Allowance on CRDA Investments	<u>(11,369)</u>	<u>(10,716)</u>
CRDA Investments, Net	27,135	24,934
Due From Affiliates	<u>1,440,558</u>	<u>1,365,710</u>
	<u>\$1,467,693</u>	<u>\$1,390,644</u>

Due From Affiliates consisted of the following:

	<u>2005</u>	<u>2004</u>
HARRAH'S	\$1,440,181	\$1,365,284
Harrah's Atlantic City	61	61
Showboat Indiana	14	14
Harrah's Lake Tahoe	19	20
Harrah's Joliet	8	8
Harrah's Ak-Chin	238	291
Harrah's North Kansas City	<u>37</u>	<u>32</u>
	<u>\$1,440,558</u>	<u>\$1,365,710</u>

(6) LAND, BUILDINGS AND EQUIPMENT

As of March 31, 2005 and 2004, Land, Building and Equipment consisted of the following:

	<u>2005</u>	<u>2004</u>
Land and Land Improvements	\$ 23,192	\$19,108
Building and Improvements	442,787	426,338
Furniture, Fixtures and Equipment	196,554	195,482
Construction in Progress	18,014	16,118
Other property and equipment	<u>502</u>	<u>490</u>
	681,049	657,536
Less-accumulated depreciation and amortization	<u>(294,609)</u>	<u>(295,539)</u>
	<u>\$386,440</u>	<u>\$361,997</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(7) OTHER ACCRUED EXPENSES

As of March 31, 2005 and 2004, Other Accrued Expenses consisted of the following:

	<u>2005</u>	<u>2004</u>
Salaries and Wages	\$ 7,628	\$7,476
Taxes, Other Than Taxes on Income	1,771	1,919
Accrued Advertising and Promotion	2,746	1,836
Accrued Interest	71,734	4,782
Other	<u>3,996</u>	<u>4,280</u>
	<u>\$87,875</u>	<u>\$20,293</u>

(8) LONG-TERM DEBT

On May 18, 1993, SBO issued \$275,000 of 9 ¼% First Mortgage Bonds due 2008 ("9 ¼% Bonds") and subsequently loaned approximately \$215,000 of the proceeds to the Company evidenced by an intercompany note with terms and conditions consistent with those of the 9 ¼% Bonds. Subsequent to the acquisition of SBO by Harrah's on June 1, 1998, Harrah's completed tender offers and consent solicitations for SBO's 9 ¼% Bonds. As a result of the receipt of the requisite consents, Harrah's eliminated or modified substantially all of the negative covenants, certain events of default and made other changes to the respective indentures governing the 9 ¼% Bonds.

On January 15, 1999, the Company entered into a \$500,000 intercompany promissory note with HOC. The debt terms are consistent with the provisions of third party credit agreements arranged by HOC. The intercompany note is due on January 15, 2009, and is secured by the assets of the Company. Interest is payable semiannually at a rate of 7 ½%.

March 12, 2003, both the 9 ¼% Bonds and the 7 ½% Promissory Note were assigned by their respective holders to Harrah's Entertainment Limited, formerly known as Gaming Entertainment Limited. The terms and amounts of the debt were not affected by this assignment. The only notable change resulting from the assignment was a change in the timing of interest payments.

Prior to the assignment interest payments were made semiannually. Throughout the remainder of 2003 interest payments were made on a monthly basis. However, for subsequent tax years, interest payments will be remitted annually, payable in the following year. As of March 31, 2005 and 2004, there was accrued interest of \$71,734 and \$4,782 respectively.

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(9) OTHER LIABILITIES

As of March 31, 2005 and 2004, Other Liabilities consisted of the following:

	<u>2005</u>	<u>2004</u>
Due to Affiliates, Long-Term	\$998,990	\$977,738
Other	290	180
	<u>\$999,280</u>	<u>\$977,918</u>

Due To Affiliates, Long Term consisted of the following:

	<u>2005</u>	<u>2004</u>
HARRAH'S	\$600,101	\$548,501
SBO	380,566	413,119
Harrah's Las Vegas	6,441	6,435
Harrah's Reno	45	34
Harrah's Tunica	16	0
Harvey's Tahoe	691	663
Harrah's Laughlin	95	14
Rio Las Vegas	99	83
OSI	38	38
Harrah's Atlantic City	10,030	7,983
Showboat Operating Company	<u>868</u>	<u>868</u>
	<u>\$998,990</u>	<u>\$977,738</u>

(10) LEASES

The Company has operating leases for office space, office equipment, and slot machines, which expire on various dates through 2006. Rental expense included in the accompanying statement of income for the three months ended March 31, 2005 and 2004 was approximately \$822 and \$1,072, respectively.

(11) NON-OPERATING INCOME (EXPENSE)

For the three months ended March 31, 2005 and 2004, Non-Operating Income (Expense) consisted of the following:

	<u>2005</u>	<u>2004</u>
Interest Income	\$ 250	\$199
Preopening/Demolition Expense	(520)	0
Gain/Loss on Asset Sales	(151)	(296)
Other Non Operating Expense	<u>(266)</u>	<u>0</u>
	<u>\$(687)</u>	<u>\$(97)</u>

ATLANTIC CITY SHOWBOAT, INC.
Notes to Financial Statements
(Dollars In Thousands)

(12) COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, these matters will not have a material effect on the Company's financial position or results of operations.

CRDA Investment Obligation

The New Jersey Casino Control Act provides, among other things, for an assessment of licenses equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company may satisfy this investment obligation by investing in qualified eligible direct investments, by making qualified contributions or by depositing funds with the CRDA.

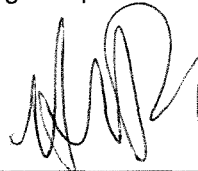
Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be used to purchase bonds designated by the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have terms up to 50 years and bear interest at below market rate.

The Company includes CRDA investment bonds and funds on deposit in deferred charges and other non-current assets in the accompanying balance sheets. The Company records charges to operations to reflect the estimated net realizable value of its CRDA investment obligations.

Deposits with the CRDA bear interest at two-thirds of market rates resulting in a current value lower than cost. As more fully disclosed in Note 5, at March 31, 2005 and 2004, Investments, Advances, and Receivables include \$27,135 and \$24,934 respectively, representing the Company's bond purchases and deposits with the CRDA, net of the valuation allowance. The carrying value of these deposits, net of the valuation allowance, approximates fair value.

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature - Anthony P. Rodio

Vice President of Finance & Admin.

Title

002895-11

License Number

On Behalf Of:

Atlantic City Showboat, Inc.

Casino Licensee